

Message Text

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PAGE 01 STATE 273043

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TO USMISSION GENEVA PRIORITY

INFO AMEMBASSY CANBERRA PRIORITY

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E.O. 11652: N/A

TAGS: ETRD, SZ

SUBJECT: AUSTRALIAN TARIFF ACTION ON TEXTILES

REF: CANBERRA 8017

FOR JURICH, PHELAN, POLANSKY

1. YOUR ATTENTION IS CALLED TO REFTEL WHICH HAS
POTENTIALLY DAMAGING RAMIFICATIONS VIS A VIS MFA.

AUSTRALIAN EMBASSY HERE PRIVATELY ADMITS THAT ACTION

REFTEL IS QUOTE TRANSPARENT ATTEMPT ENDQUOTE TO GET AROUND

WHAT GOA FEELS WAS UNSATISFACTORY OUTCOME RECENT TSB

CONSIDERATION OF GOA'S ARTICLE 3 ACTION AGAINST KOREA. IT

IS ONLY REASONABLE TO ASSUME THAT KOREA WILL ALSO SEE

THROUGH THIS, POSSIBLY RAISING THE MATTER AT TOMORROW'S

RESTRICTED MEETING OR AT THE FULL TEXTILES COMMITTEE. .

ROKG COULD ARGUE WITH SOME MERIT THAT GOA'S TARIFF ACTION

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PAGE 02 STATE 273043

ON TEXTILES VIOLATES SPIRIT IF NOT LETTER OF MFA,

ESPECIALLY SEVENTH PARA OF PREAMBLE, AND UNDERCUTS GENERAL UNDERSTANDING AMONG PARTICIPATING MFA ADHERENTS THAT WITH PROTECTION AFFORDED BY MFA, RESORT TO ADDITIONAL TARIFF PROTECTION WOULD BE AVOIDED.

2. INITIAL COMMERCE REACTION IS THAT GOA TARIFF MEASURES OUTLINED REFTEL ON ACRYLIC YARN, KNIT AND CROCHETED MAN MADE FABRICS, AND TOWELS CAN ONLY BE

DESCRIBED AS PROHIBITIVE. FYI WE UNDERSTAND FROM GOA EMBASSY THAT ADDITIONAL TARIFF ON ACRYLIC YARN AMOUNTS TO FOUR AUSTRALIAN DOLLARS PER KILO, AND TWO AUSTRALIAN DOLLARS PER SQUARE METER ON TOWELS AND KNITTED AND CROCHETED MAN MADE FABRICS. END FYI. IN ADDITION, GOA ACTION ON TEXTILES IS IN EFFECT A TARIFF QUOTA, AS ANY IMPORTS ABOVE THE JULY 1, 1972/JUNE 30, 1973 LEVELS WILL BE SUBJECT TO THIS ADDITIONAL TARIFF. OUR INITIAL AS-

SESSMENT IS THAT SUCH A TARIFF QUOTA WOULD BE A VIOLATION OF ARTICLE 3 OF MFA WHICH, AT LEAST IMPLICITLY, SANCTIONS ONLY UNILATERAL QUANTITATIVE QUOTAS OR RESTRAINTS AND NOT RPT NOT TARIFF QUOTAS.

3. FYI WE UNDERSTAND ALSO THAT GOA HAS NO RPT NO INTENTION OF NOTIFYING TSB EITHER FORMALLY OR INFORMALLY ABOUT RECENT ACTION. HOWEVER, GOA REP IN GENEVA HAS BEEN INSTRUCTED TO SAY, IF ASKED ABOUT TARIFF ACTION ON TEXTILES, THAT GOA BELIEVES ACTION FULLY CONSISTENT WITH MFA. UNTIL WE HAVE OPPORTUNITY TO STUDY THIS FURTHER, WE WOULD RESERVE JUDGMENT ON GOA POSITION, BUT OUR INITIAL REACTION IS THAT USG COULD NOT AGREE WITH GOA END FYI.

4. WHAT DISTURBS US MOST ABOUT GOA ACTION IS POTENTIAL REACTION FROM EXPORTING COUNTRIES AND PARTICULARLY IF THEY TRY TO RAISE THIS BEFORE TSB OR TC. INASMUCH AS GOA IS NOT RPT NOT CLAIMING THAT EXPORTERS ARE DUMPING ON AUSTRALIAN MARKET, THE EXPORTING COUNTRIES AND ESPECIALLY THE LDCS COULD ARGUE THAT GOA, AN IMPORTING COUNTRY, HAS ESTABLISHED ANOTHER TRADE BARRIER IN CONFLICT WITH MFA OBJECTIVES, AND THESE EXPORTING COUNTRIES MIGHT WELL SEEK LIMITED OFFICIAL USE

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PAGE 03 STATE 273043

USG SUPPORT FOR THEIR POSITION. IN ADDITION, EXPORTING COUNTRIES MIGHT FEAR THAT OTHER IMPORTING COUNTRIES, HAVING SEEN THE GOA PRECEDENT AND BEING EQUALLY HARD HIT BY IMPORTS, MIGHT RESORT TO SIMILAR TARIFF QUOTA PRACTICES, THUS NEGATING THE PROTECTION EXPORTING COUNTRIES HAVE UNDER THE MFA.

5. YOUR ASSESSMENT ON THIS ENTIRE ISSUE WOULD BE WELCOME,

PARTICULARLY ANY INDICATIONS YOU MAY GAIN THAT THE ISSUE
WILL BE RAISED IN THE TSB OR TC. WE WOULD ASSUME THAT
YOU WOULD NOT RPT NOT WISH TO TAKE ANY SIDES ON THE
QUESTION, AND WE WOULD FULLY CONCUR ON SUCH A STANCE. IN-
DEED, IN VIEW OF THE POTENTIAL EXPLOSIVENESS OF THE
ISSUE, YOU MAY WISH TO DO WHAT IS REASONABLY POSSIBLE TO
DISCOURAGE THE ISSUE FROM SURFACING UNTIL WE HAVE HAD TIME
TO ASSESS THE FULL IMPLICATIONS FOR US. INGERSOLL

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